





# ARTICLES

ON

## Government Life Insurance.

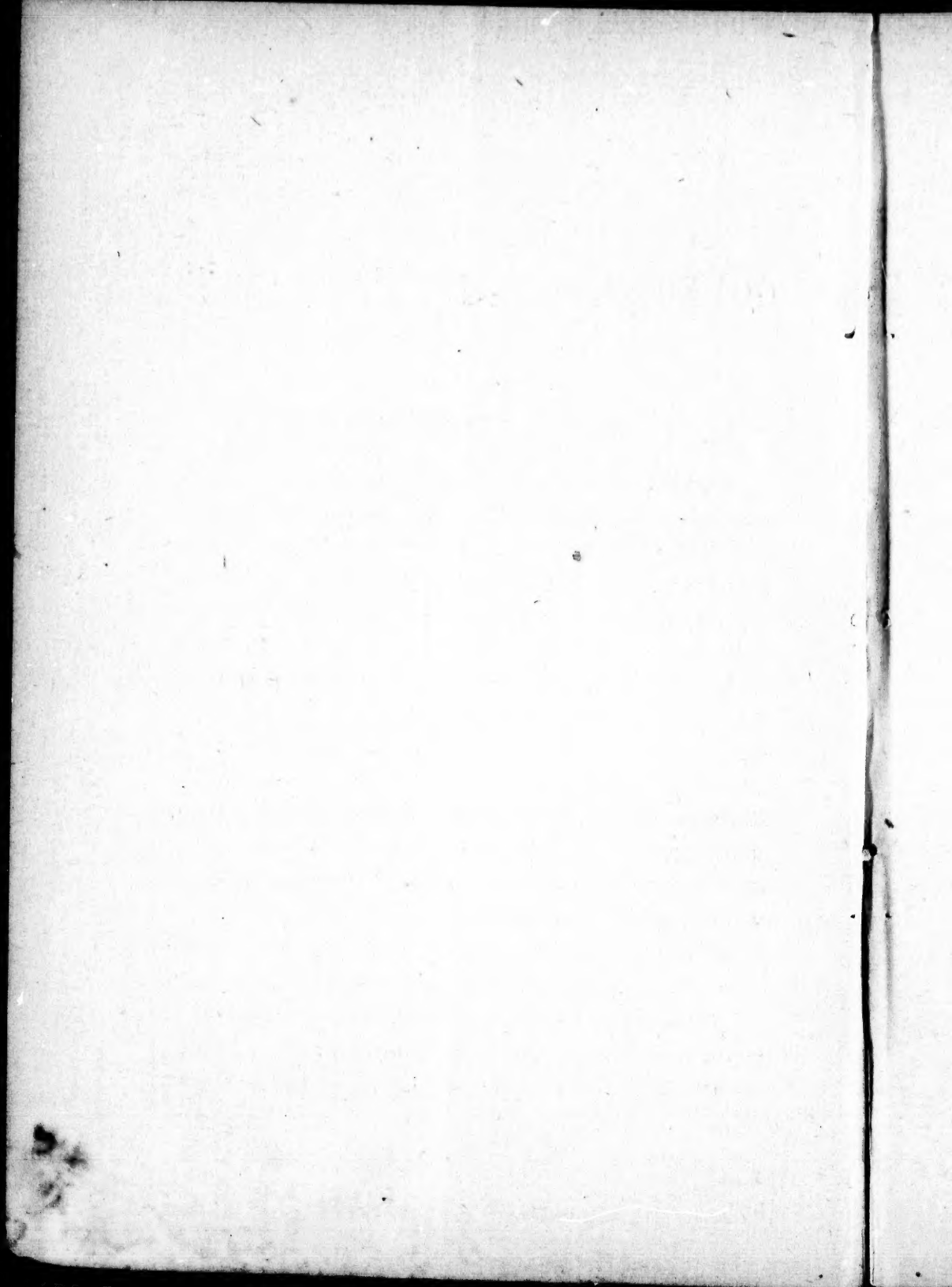
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(REPRINTED FROM THE "EVENING TELEGRAM.")

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Toronto :

HUNTER, ROSE & CO., 25 WELLINGTON ST. WEST.  
1879.



# GOVERNMENT LIFE INSURANCE.

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## No. 1.—INTRODUCTORY.

IN taking up the subject of Government Life Insurance it is quite likely that we shall meet with opposition. But if the scheme of Government Life Insurance we have in view is a sound one, opposition will rather help than hinder it; for it will set people thinking and open their eyes to the advantages of the Government taking hold of the subject. Space will not permit, in the present article, of our doing more than introducing what we have in view; but we hope shortly to give some facts and figures gathered from trustworthy statistics, which our readers will find curious as well as instructive. It can scarcely be denied that, from the force of circumstances, Canada, for several years at all events, will need money borrowed in some shape or other, and the question for each Finance Minister to solve as he comes into office is how to provide a revenue sufficient to meet the growing requirements of a young country; "in short," as Wilkins Micawber would remark, how to "raise the wind." It is a self-evident

fact that in our thinly populated Dominion, with its enormous and only partially developed resources and with comparatively little capital which can be employed at a good rate of interest, it is not to be expected that a Government loan will find a sale at three or four per cent., and consequently Mr. Tilley had to cross the Atlantic in order to borrow money from England, where interest is low and surplus capital seeking sound investment plentiful. The result of this is palpable—namely, that for said loan Canada will each year have to remit the interest thereon, which interest is so much money lost to her and gained by England. That this is so has been clearly demonstrated by the financial straits which the people of the United States found themselves put to after the rebellion in consequence of having borrowed money abroad instead of consolidating their debt at home. They thus had to pay a heavy amount of interest annually to foreigners, which otherwise would have circulated within and benefited their own people. Paradoxical as it may appear, England's debt is an absolute advantage to herself, serving as it does for an investment, the interest of which is an income to thousands of her population, and the security the best of all, because it is the people owing themselves the money, so to speak. Repudiation is therefore utterly out of the question, because it would be suicidal, or, to use a homely phrase, "cutting off one's nose to spite one's face." There is no more extraor-

ordinary example of the vitality of England's finances of late years, than that, in spite of decreased duties and taxation, her revenue has gone on increasing, that of 1878 being above that of the previous year by over one million sterling. And this in the face of unprecedented business depression, and the truly startling failures and wide-spread distress resulting therefrom. The grand secret of all this is that England never borrows abroad, but always at home. Her Consols are owing *by* her people *to* her people, and her funded debt is handed down from generation to generation as positive wealth.

As explained above, it would be impossible at present to create Consols in Canada, and therefore something should be substituted which would have the same effect—namely, supplying the money for the country's needs and improvement, and keeping that money to enrich its own people rather than to enrich the people of another land. The idea we now venture to bring forward, with a firm conviction of its feasibility and success, is that of a system of Government Life Insurance. Some persons will doubtless accuse us of wishing to turn the Government into traders, but we reply that life insurance is no more a trade than banking or other money order system, which is a branch of banking. Others will say that no Government has a right to assume the liability attending life insurance; to which we answer that owing money on



a life policy at home will be found more remunerative and therefore less of a liability than owing money on a loan abroad. The income from the former is collected, used, and finally paid back to the heirs of the insurer, to circulate once more at home ; whereas the interest of the latter is taken from the earnings of our people and remitted to enrich those abroad, thus being lost forever to the country where it was gathered. We presume that most people will agree with us in saying that life insurance, more than any other outgrowth of civilization, engenders habits of prudence and economy, with their attendant blessings of wealth and comfort. Then what can be more worthy of a National Policy than a Government fostering and enlarging a scheme which will so promote its country's interest and welfare ? And we are of opinion that the Canadians, who for the most part are a shrewd, thrifty race, will gladly invest in a security resembling the Consols of Great Britain, and far superior to that of joint stock capital, whether limited or unlimited ; for the latter sometimes fails—as in the case of the European Life of England, the City of Glasgow Bank, and like corporations, being composed of a small number of members transacting business with other members of the community. But the former could not fail, because it is the whole community bound up together, with the entire country at stake. We will reserve the consideration of the method for working the project for another issue, having at



present merely introduced the subject; but we hope we have said enough to excite the interest of our readers on the problem of Government Life Insurance.

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## No. 2.—INCOME.

Having introduced the above subject, we may proceed to consider it in its various bearings; but in the present article we shall confine ourselves to the demonstration of the income which the Government, or in other words the country at large, would derive were a scheme of Government Life Insurance adopted, which income, as previously stated, would circulate at home, instead of being remitted to enrich foreign companies and communities, as is indisputably the case when life premiums are paid to foreign offices, or interest on loans has to be forwarded for money borrowed outside the Dominion. The population of Canada may be safely estimated at 4,000,000, which is yearly increasing, and of this number we think we shall keep well within the limits if we say that one-eighth, or 500,000, could insure their lives, and would do so were an easy method and undoubted security offered. Many of the farmers, mechanics and manufacturing population would probably begin, at all events, by taking out a policy for some \$200 or so; for here let us remark, that the reason life insurance

companies, as generally constituted, are of no benefit to the classes alluded to, and consequently fall short of one of the great aims they profess to and should promote—viz., thrift—is that amounts like the above are too small for the agents or even the company to consider desirable business. In the banking system, savings banks come to the rescue here ; but in life insurance the blank has yet to be filled up. However, although there might be numerous policies for such small amounts, the average, we venture to predict would be fully equal to that of our present life offices for there would be many insurers who now divide the sum they take upon their lives between two or more companies, who would be quite content to take out only one policy when issued by the Dominion Government. Let us now see what the average amount of our life policies in Canada is, and for these we will take the returns of nine companies, native and foreign, as published from the Insurance Department. The figures are as follows :—

NAME OF COMPANY.	NO. OF INSURED LIVES.	AMOUNT INSURED.
Canada Life..... ..	8,484	\$16,413,013
Confederation..... ..	3,361	4,880,042
Equitable..... ..	2,338	5,535,990
London and Lancashire.....	958	1,748,257
North British..... ..	355	912,754
Reliance..... ..	572	1,040,625

NAME OF COMPANY.	NO. OF INSURED LIVES.	AMOUNT INSURED.
Royal.....	348	996,222
Standard .....	2,403	4,774,060
Sun.....	1,757	2,995,058
	<hr/> 20,576	<hr/> \$39,296,021

or close upon an average of \$2,000, the premiums charged on the same being for Canadian Companies 2.97%, English, 3.01%, and American 3.24%, making the average 3.11%. It must be palpable to all that a Government, not being burdened with the heavy expense attending life companies, such as office rents, directors' fees, advertising puffs, stock dividends, etc., would not require to charge as high rates of premium; and supposing the average rate to be 3%, we shall find that a revenue amounting to the enormous sum of \$30,000,000 per annum lies within the reach of our rulers. Even allowing that only half of this would for a year or two be obtainable, we think it will be admitted that a scheme which promises so much is not to be lightly thrown aside, but is worthy of the serious consideration of our Government. We shall next endeavour to show what the probable outlay would be on such annual income, but for the present we surmise that we have said enough to engage the attention of our readers to the development of the subject we have on hand.

## No. 3.—COMPARATIVE FEATURES.

We have no doubt that many of our readers were somewhat surprised at the figures we presented to them when we last touched upon the above subject, and it is more than probable that those opposed to the scheme of Government Life Insurance will endeavour to show that we have been guilty of exaggeration even in our lowest estimate of the income which would accrue to the country were the Government to commence insuring the lives of the people. The argument will doubtless be used that, as the combined efforts of all the life companies transacting business in the Dominion have only collected a premium income of between two and three millions of dollars for the past five years, it would be utterly impossible for the Government to swell that amount to the sum of fifteen millions. Our answer to this, as already pointed out, is two-fold. In the first place, there is the infinitely greater security offered by the Government compared with the strongest company, especially in times of depression like the present, when the assets of the company, invested in the best securities its directors can fix upon, show a vast depreciation of value. As an illustration of this we may point to the largest institution of its kind in the world—the Mutual Life, of New York, which, according to its latest published returns,

has a surplus of \$10,643,201 on assets of \$84,749,808, or something over 12 per cent., proving that a very slight drop in the securities (over sixty millions of which consisted of real estate and mortgages thereon) would sweep away the entire surplus. Turning to England, it is curious to observe that during the late monetary crisis, when banks like the City of Glasgow went down with a crash, the only securities which showed no depreciation were Consols. Secondly, we are convinced that Government Life Insurance would reach hundreds and thousands of people which the present institutions fail to do; so that we consider it a moderate calculation that  $6\frac{1}{4}$  per cent. of our population would become insurers under the system proposed.

As regards death claims paid, we find from the returns of the nine companies already mentioned, the following figures:—Premium receipts in 1876, \$1,092,820; claims paid, \$403,933; premium receipts in 1877, \$1,142,459; claims paid, \$407,731; or about 37 and 36 per cent. respectively, while in the latter year forty-one companies transacting business in the United States received the sum of \$66,008,446, and disbursed for death claims \$22,467,843, or about 34 per cent. Taking into account that in some years the deaths may be more numerous than in others, we will take an outside average of 40 per cent., which upon a premium income of \$15,000,000 is \$6,000,000. But we do not propose that this sum should be paid away as is done by ordinary

life companies, but that Consols or Government scrip should be issued bearing interest at the rate of 6 per cent., which upon the said \$6,000,000 would come to exactly 2.40 per cent. upon the premium income. These Consols would be saleable in case the parties to whom they fell due wished for any reason to dispose of them, and they might also be made redeemable at their market value by the Government itself—should such a course be considered advisable at any time, a certain notice to be given when such redemption was ordered. We think it will be admitted that there is a wide difference between a return of 34 or 37 per cent. and 2.40 per cent., and we venture to say that no objection would be raised by heirs or trustees of heirs to the investment in Government Consols at 6 per cent. Coming to the ratio of expenses of management, we have only space enough for a few remarks. It is almost needless to observe that the item created by stock dividends would not be saddled upon the Government scheme at all; this was about 4 per cent. on the Canada Life's premium income in 1877, over 5 per cent. on the Confederation's, and about  $7\frac{1}{4}$  per cent. on the Sun's. Respecting the total expenses of management, we are unable to give the ratio of the nine companies already named, for the reasons that in the returns before us the Canadian Companies are the only ones that have furnished the necessary figures, and these, we regret to find, are very much higher in pro-



portion than those of either the United States or Great Britain, bearing the following ratio to their premium income, viz. :—Canada Life, 21 per cent.; Confederation, 30 per cent.; and Sun Mutual, 49 per cent.; whereas taking forty-one of the companies doing business in New York, the percentage is only about seventeen, the lowest being that of the Mutual Life, which is under 12 per cent., while many of the English offices are even lower than this, that of the Equitable of London being only just over 5 per cent. To conclude this portion of our subject, we see no reason why the Dominion Government should not work the business through the existing post-office savings bank deposit system without additional expense, or at any rate at a cost which would be merely nominal. Finally, as an instance of what such accumulations amount to, we need only point to the fact that during the past eight years the assets of the English life offices have increased £27,000,000 sterling, or about \$135,000,000! In our next we will consider the difference of security offered by the scheme we are advocating as compared with ordinary life companies.

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#### No. 4.—SECURITY.

Respecting the difference in security between the Government and ordinary life companies, the first thing

which must strike any one who will take the trouble to inquire into the matter is the immense number of persons who, on being asked to insure, reply that they do not feel sufficient confidence in the companies, and prefer to invest their money elsewhere, but that if the Government would establish a life department they would not hesitate to invest earnings therein. Nor is this very astonishing when we examine the subject closely; for Mr. Gladstone, in one of his speeches in Parliament, justly said: "In the first year of the (life) society the premiums far exceeded the death claims. This is also the case in subsequent years. For how long does the House think that the premiums to be received are in excess of the death claims? For thirty-seven years. That is to say, you found an institution which ought to be a very gospel of prudence, and the balance of its liabilities is postponed for one full generation of men." Now, let our readers take the list of all the companies transacting life business on this side of the Atlantic, and count how many have been in existence for the above length of time. We believe, with the exception of the older English offices, the number is only one or two; and looking at the numerous disgraceful terminations of many of the life institutions during the trade depression and vast depreciation in values through which we have been passing, composing, to quote the words of a well-known life insurance manager, "a black trail of defalcations, em-

bezzlements, pilferings and breaches of trust," can we compare for one moment the security of a stable Government with even the largest joint stock corporation ? The one, as we have already intimated, is the country itself ; the other merely a portion of the community trading upon the country. The one will be supported because every one has an interest in it ; but the other has no such claim, and consequently doubts may be entertained as to whether it be " a very gospel of prudence." We find, in a petition from bankers, merchants and other citizens of Manchester, England, made to Parliament in 1868, the following sentence :—"That your petitioners have heard with surprise and alarm that out of about 400 Assurance Companies which have been established, only about 120 now exist ; that one-half of these have been established during the last seven years, and that more than fifty companies are now winding up in Chancery." And further, in a recent number of the New York *Chronicle* we observe that the Globe Mutual Life, incorporated in 1864, showed a deficit as regards policy holders in December, 1877, of \$378,739, all of which, we venture to say, has deterred thousands from insuring their lives, for the plain reason that the security, taken as whole, is entirely insufficient. Now, if the Dominion of Canada were to take upon itself the obligations of life insurance, very few indeed would doubt either its willingness or ability to fulfil its obligations. As far as our

own particular scheme is concerned, the flimsy arguments propounded in the *Globe's* notice of the subject in the Speech from the Throne would have no effect, for it is a part of our plan that the Government should give the assured the greatest possible amount of security at the very least possible cost. We do not approve of the Government accumulating vast sums like ordinary life companies. This is entirely unnecessary and would be taken into account in the calculation of the premiums. It is the country, not any particular administration, that we desire to enrich, and thus increase the very security we are advocating ; for the more wealthy the population, the greater will be the value of the Government scrip or Consols. What we aim at, and what we maintain can be carried out, is to make life insurance as safe and profitable an investment as any other that a prudent man can place his earnings in, and we think a fair inducement might be held out by enacting that all moneys derived from Government life scrip should be free from taxation. This feature, however, we will touch upon on another occasion. Nobody has ever doubted the security of the English Government, or lost a dollar on the Consol Annuities, however corrupt individual members of the Cabinet may have been ; and until life companies as a whole can point to a similar career, we hold that Government Life Insurance is both desirable and necessary.

## No. 5.—VALUE OF POLICIES.

Returning to our figures, we will make a brief comparison between the value given by the existing life companies and what the Government could offer were our scheme adopted. For this, we will revert to the nine companies we have already named as doing business in the Dominion. We find the following premiums charged for the sum of \$1,000 on the life of an insurer aged 30, viz. :

Canada Life.....	\$22 30
Confederation.....	20 89
Equitable.....	22 70
London and Lancashire.....	23 42
North British and Mercantile.....	24 90
Reliable Mutual.....	24 38
Royal .....	24 90
Standard.....	24 40
Sun.....	22 50

or an average for the nine companies of \$23.37, which is to include "profits." These profits, however, are very small, unless the insured attains a great age, those who die early merely contributing their premiums for the benefit of the heirs of their longer-lived brethren. This, we hold, is hardly equitable, if both contracts are faithfully carried out. Now, we not propose that the Government should accumulate profits to be afterwards

divided among the policy-holders, but that it should give the largest amount of insurance possible for the premium paid, whether the insurer die in twelve months or live to a hundred. Taking the tables of the combined actuaries, we find the average expectancy of life at the aforesaid age of 30 to be a fraction over 34 years, so that for a premium of \$23.37, calculating the interest at  $4\frac{1}{2}$  per cent. (the rate fixed by statute for the companies in the Dominion), the Government could grant insurance for just \$1,800—not reckoning the “loading,” which we will consider upon another occasion. This, our readers will admit, presents a wide difference as against \$1,000; and although the latter amount may, with “profits,” accumulate after long years to as much as the sum of \$1,800, still, such a result is merely dependent upon so many annual premiums; whereas the Government policy would be for \$1,800 (the “loading” excepted) if the insured died after paying only one premium. There are periods in life companies when sums of money are inactive and not invested, which must be considered in calculating the premiums; but the Government funds are never idle, and consequently such calculation is unnecessary in regard to them. We have next to look at the “loading” of premiums, and will then point out the sum which will insure \$1,000 by the Government scheme. For the present, however, we believe that it is certain insurance—not possible profits—which policy-holders desire most to secure.



## No. 6.—PREMIUMS.

The following are used for illustration, and could be adjusted by the Government Actuary.

We have seen that for an annual premium of \$23.37, being the average rate for a policy of \$1,000 among nine companies, foreign and native, the Government could afford to grant an insurance for a sum close upon \$1,800, not taking into consideration the "loading" necessary for expenses. It is an easy matter, therefore, to calculate what the net premium on \$1,000 would be from the Government standard; for, if \$23.37 would purchase \$1,800, we shall find that \$12.98 is the net premium for \$1,000. Now, as regards "loading," we are of opinion that five per cent. would be ample for all contingencies; but for the sake of illustrating still more forcibly the superiority of what we are advocating over that ordinarily offered by life companies, we will go so far as to load the premium ten per cent., and then the gross charge on \$1,000 will only amount to \$14.27, which is considerably less than that of any company doing business in the Dominion. We have already endeavoured to prove that there is no need for the Government Life Department to accumulate large reserves either for security or profits. Respecting the first, no greater security could be offered than the gradual transfer of the foreign into a home

indebtedness, the result of which would be that in place of the \$5,780,540 being remitted abroad for interest and commission, as was done for the year ending 30th June last, it would be paid to our people here. Secondly, regarding profits, our scheme proposes to give insurance, not profits, in striving after which an insurer must to a certain extent speculate upon the length of his own life. We shall next proceed to consider the surrender value of policies, which is a very important feature in life insurance, especially in times of misfortune, when an insurer finds himself, under the ordinary system, compelled to accept whatever the company chooses to offer, and often sees the premiums by which he has, perhaps, for many years been striving to provide for himself in old age or his family after death, swept into the coffers of the institution he entrusted with the same, with the exception of a sum so small as to represent a merely nominal value.

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#### No. 7.—REPLY TO AN ATTACK.

Before considering the question of the surrender value of policies, we will reply briefly to an attack made upon the above subject by a paper which professes to be the honest exponent of commercial questions. The paper referred to assumes—upon what authority it is difficult to see—that, if the Government

were to adopt a system of life insurance, it would adopt it for one of two reasons, namely: (1) Either because the Government thinks assurers are not now sufficiently protected against fraud, or the insecurity of the existing chartered companies; or (2) because the Government desires to obtain possession of the funds now paid to the companies. Now, as regards the first of these, we would observe that the paper in question might with equal justice assail the system of Government Savings Banks, as reflecting upon the standing of similar private or joint-stock institutions. If this be the ground upon which the existing life companies would be prepared to oppose a Government scheme, we would ask them to remember the French proverb, "*Qui s'excuse, s'accuse.*" It is for the insurers or depositors to decide which is the best company or bank to do business with. Our critic is evidently a firm believer in the efficacy of State supervision. We frankly confess that we are not, and there are hundreds who are of our way of thinking. There are thousands more whom the present life companies never reach, but who could all be induced to insure by the offer of a Government policy. Where is the injustice in such a gap being supplied? We do not quite understand the nature of the second reason given, but if it is meant that instead of the premiums being paid to add to the accumulations of a few companies the Government would

desire to see the same—through a medium offered—enriching the country at large, we readily admit that such is the end we advocate. We cannot allow that life insurance, like fire insurance, is a branch of commerce, the latter being trade while the former is investment. The writer of the article we are reviewing would seem to fear that were the Government to open a life insurance department the existing companies would find themselves with their occupation gone—which, by the way, is not a very high compliment to their strength or stability—and then, with charming inconsistency, he endeavours to prove that the Government would assuredly fail in the object it would have in view. The paper boldly asserts that Canada can borrow all the money she requires abroad at four per cent., whereas we find, according to the Finance Minister's statement for the year ending 30th June, 1878, that the debt of Canada, payable in London, was \$121,244,416, and the interest thereon \$5,780,540, which is more nearly five than four per cent., besides being an annual loss of so much money to the country. Again, with the most surprising contradiction, our contemporary, after observing the ease with which Canada can borrow—a pretty good proof that her credit is good—goes on to assert that “from present appearances it is impossible to predict what may be the condition of public credit twenty, thirty, forty or fifty years hence.”

We must thank our critic for having helped our scheme so well be proving the weakness of those who attack it.

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#### No. 8.—SURRENDER VALUES.

Having disposed of a weak attack on the above subject, we come to the question of surrender values, which for the uninitiated simply means the amount payable to the insured at the end of any number of years, supposing he either cannot or does not desire to continue the policy. We think it will be readily admitted that the said surrender value is almost invariably absurdly inadequate, in many cases being purely nominal when compared to the amount of premiums already received upon the policy. It is this inequitable state of things we would like to see remedied, for we hold that life insurance, properly conducted, should be an investment for the insured or his heirs. To be informed when one has paid some ten or fifteen annual premiums that in case of withdrawal the policy is worth less than half of what those premiums amount to, savours not only of hardship, but of absolute injustice. To rectify this, we think that the Dominion Government, were it to establish a life insurance department, might adopt a scheme something after this fashion: If an insurer wished from any cause to withdraw after having paid five annual premiums, or a less number, the Government

would hand him a Consol for the exact amount of the premiums paid, bearing interest at the rate of three per cent. per annum. Should the number of premiums have exceeded five, but not reached ten, then the Consol should bear four per cent. interest ; over ten and up to twenty,  $4\frac{1}{2}$  per cent. ; and when more than twenty annual premiums had been paid, five per cent. That this would be a very attractive feature we feel convinced ; and that it would also be perfectly feasible, may be easily illustrated. Supposing an annual premium of \$10 has been paid regularly for ten years, the surrender value of the policy would be a Consol of \$100 bearing interest at 4 per cent., to meet which, together with expenses, &c., it will be found, calculating compound interest at  $4\frac{1}{2}$  per cent., that rather over \$125 has been received ; or take it at twenty years, and the Consol would be for \$200 at 5 per cent. ; whereas the receipts, still taking the compound interest at  $4\frac{1}{2}$  per cent., amount to over \$313. Of course we fix the interest on the surrender Consol—if we may coin the word—lower when taken out during the first few years than afterwards. This will be readily comprehended when it is seen that the accumulations by compound interest only amount to not quite 10 per cent. of the total premiums at the end of five years ; whereas in ten years they add up to 25 per cent., and in twenty years to over 50 per cent. We shall next proceed to consider these accumulations as connected with the liquida-



tion of our foreign national debt. Meanwhile, if any ordinary life company offer similarly favourable surrender values to their policy-holders, we shall be glad to hear from them.

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#### No. 9.—STATE SUPERVISION.

In connection with this subject it will not be out of place to consider what is called State (*i.e.*, Government) supervision of insurance companies, especially at this time, when there is a movement being attempted in New York State, to dispense with what we firmly believe to be one of the greatest shams and delusions ever perpetrated upon a confiding public. Superintendent Smyth, finding that a rebellion was on foot to depose him from his throne, issued a circular to all insurance companies transacting business in New York State, requesting their individual views as to the effect likely to be produced by the abolition of State supervision. The majority of the replies were just what might have been expected, for, as the New York *Underwriter* cleverly put it, Mr. Smyth resembled Mr. Squeers, of "Nicholas Nickleby," with a cane in his hand ready to reprimand sulkiness, and insisting that all should be joy and gladness. Two or three companies, however, were honest enough to sulk, and one appears to have been guilty of poking fun at its Mr. Squeers, for no one who read the reply of the manager of the

Royal Insurance Company could fail to be reminded of Pope's lines,—“Damn with faint praise, and without sneering teach the rest to sneer.” We are glad to find our general view on the subject so completely endorsed by one of the soundest underwriters on this continent. When an attempt was made in England to pass an Act for State supervision, we believe almost the identical words used by Mr. Gladstone were, that a company might conform to all the requirements of the Government Inspectors for a hundred years, and yet be utterly insolvent the whole of that period. We venture to assert that State supervision has never saved the policyholders one single dollar. Will those insured in the Continental Life, the American Popular, or the Globe Mutual, ever have occasion to thank Mr. Smyth for his fatherly protection? We must not be too hard on Mr. Smyth, however, for he has an impossible task to perform. We might ask our friend Professor Cherriman what kind of a staff he would require for the purpose of examining the securities of, say, fifty millions of assets; and yet one of Mr. Smyth's companies, the Mutual Life, has nearly double that amount to be checked over. A more palpable farce it is scarcely possible to conceive. The best proof of this is to be found in the fact of a company like the Globe Mutual having been permitted to continue, when the leading journals are all agreed that it has been insolvent for years. Can Mr. Smyth guarantee all the other life companies which

he professes to supervise; or can our countrymen fail to see that a scheme of Government life insurance is the only true inspection, so far as that branch of insurance goes, and that it supplies the substance for the shadow? We must confess our surprise that a system so palpably absurd should have grown up in the States, where they pretend to have completely thrown over the patriarchal style of government. Had it been under an autocracy like Russia, professing a paternal solicitude for its children, then we could have comprehended it, and exclaimed "*Maxima debetur pueris reverentia*," but we are puzzled at our "cute" neighbours becoming so hookwinked that they risk their property and earnings in any institution which has the superintendent's certificate attached. By the Dominion Government grasping the reins of life insurance in its own hands, Canada may be saved the record of fraud and corruption through which our neighbours have been (and who can predict the future?) passing of late years, in spite of—or shall we say assisted by—this boasted State Supervision.

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#### No. 10.—TRANSFER OF FOREIGN DEBT.

In concluding, for the present at all events, our remarks upon the above subject, we must refer to the advantage to be derived from the adoption of the same, in connection with our foreign indebtedness, and the time

it would take to transfer the latter into Canada, a policy which we venture to repeat is most truly "national," and in dealing with which all "party" spirit should be banished for the sake of the general welfare.

Taking the Finance Minister's returns it will be found that our foreign debt is rather over \$120,000,000 redeemable at various dates extending from the present time to the year 1910; and the question is how soon we can wipe out what draws away annually a certain amount of wealth from the country, or, in other words, transfer said debt to our own people. When commencing these articles it was assumed that an annual income of \$15,000,000 could be collected by the Government for life insurance, and although such figures were used chiefly as an illustration, we see no reason why they should be wide from the mark. However, to show the gains which would accrue from a Government Life Department formed upon the most moderate dimensions we will suppose a premium income of \$5,000,000 per annum obtained for twenty-five years, and making ample allowance for expenses and death claims—the latter to be paid in consol scrip bearing 6 per cent. interest—we shall find that the net income at  $4\frac{1}{2}$  per cent. compound interest, in the time named, would amount to between \$150,000,000 and \$200,000,000, and starting as this appears, our readers can test its accuracy for themselves, for the \$5,000,000 income

without deductions at the same compound interest would in 25 years amount to the enormous sum of over \$220,000,000 ! Thus we see that with a Government Life Department it is not only possible but quite probable that within a quarter of a century our foreign debt could be owing at home instead of abroad, and the interest thereon at present collected by taxes abolished.

It has been hinted in the attack made upon Government Life Insurance before noticed, that it would open the door for political corruption in the shape of saddling the department with the undesirable lives of friends to the ruling powers. A more absurd charge could scarcely have been brought forward, for it might as well be said that the Government Savings Bank would accept spurious coin, or "bogus" notes from friends of the Receiver General or his subordinates. Our scheme we maintain would tend to purify, not corrupt, the political atmosphere, inasmuch as it would increase the numbers of those directly interested in the Government, and a man thinks twice about robbing himself however little he may hesitate to mulct his neighbour.

When the soldier dies in defence of his country, we repeat to his memory the words of Horace, learned at our school desk, "*Dulce et decorum est pro patria mori*," but on the other hand Canada would not forget to pass as deserving a eulogium upon her statesmen

who, in the best sense of the term, LIVED for their country by removing heavy obligations and spreading plenty and happiness over the land.

We have written to little purpose if we have not pointed out the legitimate means leading to that end.



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